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Decentralization of the Czech Textile Industry and Foreign Trade
in Textiles
Czechoslovak Trade with the USSR.

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Importance of Czechoslovak Foreign Trade and Need of Imports

1. Foreign Trade is practically the only way for Czechoslovakia to obtain scarce raw materials and finished products. Raw materials which the Czech Government is trying to get from the West are: copper, nickel, tin, oil, iron ore, aluminum and rubber. Manufactured goods most urgently needed include spare parts for various machinery obtained from the US during the early postwar years, special drills, machine tools, presses, communications equipment, medicaments (streptomycin, aureomycin), automatic mining machinery, low current electrical equipment and rubber hoses. It is very unlikely that these materials are being stockpiled, for several plants had even before serious difficulties in maintaining production because of raw materials shortages. Some efforts were made to alleviate this disastrous situation and to replace the lacking US raw materials and parts with those imported from the USSR. The final results were poor since the Czechoslovak industry in general uses different grades and kinds of material from those available from the USSR; for example, Czech textile industry machinery is suitable only for western types of cotton and wool and substituted Soviet cotton and wool have considerably complicated production.
2. The government's inability to obtain sufficient amounts of scrap metals from the West has resulted in concerted drives to collect scrap metals from all possible sources. This action has been adequately organized and heavy penalties are envisaged for agencies and individuals who fail to comply with provisions of this directive. Local and internal Communist Party organizations in various enterprises are responsible for fulfilling the scrap metal collection program. Even school children have to collect and deliver every month a certain amount of scrap metal.

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plenty of rumors to the effect that as a result of such shortages the entire production in Czechoslovakia has been seriously hampered.

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Government Trade Policy

4. Since February 1948 there have been two distinct periods in US-Czechoslovak trade relations, characterized by quite different policies. The first period lasted until late 1949, and the second until 1950. The actual policy maker during the first period was Evzen Loebl, the Deputy Minister of Foreign Trade who was practically the head and the brain of his ministry until his arrest. The general directive at that time was to expand mutual trade with the US in all possible ways. During this period the US market had the first priority, sometimes even over the USSR market. [redacted] in [redacted] private conversations with Loebl during his visits to the US in 1949 he stressed the importance of the US for the Czech economy, advising the staff not to engage in political matters but to devote their entire time to commercial activities aimed at the strengthening and development of mutual trade relations. He made it clear that some people in Prague did not agree with this policy. At that time [redacted] no information as to what was going on in Prague and did not know that shortly thereafter Loebl's opposition to the policy of complete economic surrender to the USSR would result in his arrest.

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5. The second period was characterized by the general directive to get from the US as much goods as possible, regardless of the volume of Czech exports to the US. However, this decision was made too late. At the time [redacted] the US licensing policy was already in effect, and nothing could be done. [redacted] no individual or organization in the US or elsewhere had the support or help of the Czech Commercial Mission in evading trade controls. [redacted] there have been some cases of this nature but they have been initiated and realized without the knowledge of [redacted] commercial mission. Presumably such transactions have been carried on outside the US and were not known [redacted] in the US.
6. Prior to the expiration of the Czechoslovak-West Germany trade treaty in 1950, West Germany was of great economic importance to Czechoslovakia; and although the Czech government was not dependent upon Western Germany's trade to keep its economy functioning, this trade was still very significant. Even now, (August 1951), trade relations with West Germany are extremely profitable for the Czechoslovak Government. Were they not, political differences, would require severance of such relations.
7. [redacted]
- [redacted] at an all-ministry plenary meeting of the Communist Party in the Ministry of Foreign Trade in fall of 1950 [redacted] Minister Dr Gregor spoke concerning Czechoslovak foreign trade policy. He emphasized that, as a primary political task, it was necessary for the national economy to achieve independence from trade with the West. This was and still is the main objective of Czechoslovak foreign trade.

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Foreign Trade Companies

8. As of August 1951, no national corporations as such had been created in Czechoslovakia to conduct foreign trade. The original foreign trade companies were established by government decree in 1948. Their legal structure was determined at the time when there was considerable trade between Czechoslovakia and the West. It was the intention of their creator, Evzen Loebl, to obtain for the Czechoslovak foreign trade companies a status which would be most acceptable to the West. Loebl feared that if the foreign trade companies were national corporations, western businessmen would consider them stiff bureaucratic state agencies. Loebl succeeded, and the companies obtained a status similar to that of an average business joint stock company, with a certain number of shareholders and a board of directors. The State officially had nothing to do with their internal administration. All shares, however, were actually owned by the National Bank of Czechoslovakia.
9. In the full sense of this term, national corporations were established in Czechoslovakia in the fields of production, distribution of output, and services. Foreign trade, however, was always completely separated from production and from internal distribution of goods. Actually, at the present

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time there is little difference between a foreign trade company and a national corporation. Yet, in 1948-49 it was considered important to make between them a strict distinction. And although it is no longer necessary to pretend that the foreign trade companies are not direct instruments of the government, their original organization and status have remained unchanged.

10. The exact names and addresses of all foreign trade companies are stated in various publications of the Czechoslovak Chamber of Commerce in Prague, as well as in the bi-monthly English-language periodical "Czechoslovak Exporter". Much useful information concerning the foreign trade companies can also be obtained from the bi-weekly periodical "Foreign Trade" ("Zahranicni Obchod"), published by the Ministry of Foreign Trade. This periodical can be obtained in all better bookstores in Czechoslovakia.
11. The main Czechoslovak foreign trade companies transacting large-scale business with the US, are Centrotex, Glass-export, Hops-Malt, Centrokompse, and Kovo. Glassexport, Kovo and Centrotex have been especially significant in Czechoslovak-US trade in handling the bulk of goods exported to the US. Another company, Merkuria, handles many types of goods on an exclusively barter basis. Since the US market is not accustomed to this type of commercial transactions, Merkuria's activities in the US have been quite negligible.
12. Evzen Loebl attempted to convince the Minister of Foreign Trade to liquidate foreign trade companies abroad. He advanced several reasons. First, the companies were supposedly unable to conduct activities of first-class trading firms and in many instances lacked sufficient working capital, adequately trained and skilled personnel, and organizational techniques which any well-known domestic corporation would normally have. He considered it more advantageous for the State to obtain the services of an established, reputable and experienced foreign company to act as a sole importer or distributor, rather than use some inexperienced Czechoslovak firms. In addition to this, it was believed that this way would be least expensive, even when foreign importers and exporters were operating on a comparatively high profit margin. Furthermore, considerable difficulties were encountered in attempting to build up and strengthen the new nationalized foreign trade organizations, the monopoly companies, in Czechoslovakia. Even the older, prewar Czechoslovak foreign trade companies, later nationalized, were eventually liquidated. Most of the foreign establishments had been owned by the Skoda Works and the Czechoslovak Metal Industry, or by Kotva, the import-export organization of the Bata Works. The Skoda and Czechoslovak Metal Industry offices abroad were called Omnipol and had been established in many countries. In the US this office was called the Overseas Mercantile Company and was located in New York City.
13. In 1950 the Ministry of Foreign Trade issued a confidential directive ordering the monopoly companies and heads of the regional desks in the ministry to terminate all agreements with foreign commercial representatives of Czech and Slovak origin born in Czechoslovakia. The purpose of this directive

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was to eliminate all those representatives who had left Czechoslovakia prior to April 1950. Another group to be eliminated subsequently included those representatives and agents who emigrated from the satellite countries. Exceptions to this directive are very rare and may be obtained only through the approval of the Minister or his Deputy after a thorough investigation of the case. This measure has adversely affected Czechoslovak foreign trade with the West because the great majority of the import-export agents used by the Czechoslovak Government fell into these categories. In the past, two types of Czechoslovak foreign trade agencies have been withdrawn from the West. These included trade agencies or companies which were owned and operated by Czechoslovak domestic agencies, and representatives and agencies abroad operated by individuals of Czechoslovak origin who have legally or illegally emigrated from Czechoslovakia.

14. Late in summer of 1950 the Ministry of Foreign Trade officials had worked out plans for the establishment of Torgpred, a Czechoslovak foreign trade organization. The name of the organization is derived from the abbreviations of two Russian words "Torgovoye Predstavitelstvo", meaning "Trade Representation". In the US Torgpred was to have had the same functions as Soviet Amtorg. However, the final plans for its establishment were delayed due to the difficulties entailed in obtaining residence visas for reliable Communist employees who were to work in the western countries, and in finding sufficient personnel considered trustworthy enough to carry out these duties. The decreasing volume of the trade with the West was also an important factor in delaying the realization of plans for the establishment of this organization.

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15. The Ministry of Foreign Trade has no great difficulty in keeping its accounts since all foreign trade is channeled exclusively through monopoly companies. The required statistical data can be obtained from the various commodity departments of the monopoly companies by the Statistical Desk of the Planning Department, First Section of the Ministry of Foreign Trade, and compiled rather easily. The official statistics are prepared by the State Statistical Bureau, a branch of the State Central Bureau for Planning.
16. The Ministry of Foreign Trade has no direct role in handling foreign financial transactions. They are handled by a special department of the State Bank, with all payments made via letters of credit. The State Bank reports balances of all currencies daily to the Ministry of Finance and the Ministry of Foreign Trade.

Planning of Foreign Trade

17. The planning of foreign trade in Czechoslovakia is done in the following way. The State Planning Bureau prepares the general production and consumption plan according to production capacity, available manpower, domestic raw materials, etc. On the basis of this plan the same bureau determines the needs in imported raw materials, finished products, and consumer

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goods, and sends this estimate through its Foreign Trade Section, headed by Dr Sindelar, to the Ministry of Foreign Trade. The ministry then prepares a detailed plan with the breakdown on various regions. Participating in preparation of this plan are the Planning Department of the Ministry of Foreign Trade, heads of territorial departments, representatives of various foreign trade companies and of the foreign department of the State Bank. Since the subjects involved are very complicated, these conferences are extremely exhausting and the participants work in 16-hour shifts for many days. When a plan finally is prepared and all statistical data obtained, a breakdown is made on various regions according to existing needs and requirements. This detailed plan is accompanied by a counter-plan for export requirements to permit provisions to be made for sufficient foreign exchange currency to pay for imports, plus some requirements of the State Bank, for payments of various international obligations, maintenance of diplomatic offices, etc. The export plan is prepared in compliance with the prevailing export policy determined by the State. In the latest period the requirement was, for instance, to export as far as possible goods manufactured solely from domestic raw materials. Needless to say, offers and requirements of the USSR and satellite countries are taken into consideration and satisfied as much as possible.

18. As far as it deals with the West, the planning is sometimes strongly influenced by various fluctuations on the western markets, new fashions, etc, involving amendments in prepared plans with respect to envisaged commodities or a different territorial distribution plan. Such amendments are to be approved by the Territorial Department of the Foreign Trade Ministry, by the State Planning Bureau and the State Bank. Foreign Trade plans for countries with a planned economy are prepared in rough figures for a longest possible period of time, and the mutual requirements are usually adjusted once a year.
19. Although as a result of the elimination of profiteering in a planned nationalized foreign trade, the adequately organized agencies for foreign trade have considerable advantage in competition with smaller and profit-seeking western traders, the insufficient flexibility of the entire state-dominated organization and the general mismanagement nullify all mentioned advantages of the nationalized Czechoslovak foreign trade.
20. Among Czechoslovak exports, shipments to the USSR have top priority. In this respect even consumer goods badly needed on domestic markets are shipped to the USSR in a complete disregard for Czechoslovakia's own needs. [redacted] clearly all the confusion and enormous efforts of the ministry when some export item earmarked for the USSR was short, or plants manufacturing export goods for the USSR urged import of some spare parts in order to fulfill the export production quota. Such requirements always received top priority, and everything else had to be put aside and all efforts concentrated to solve the export problems to the USSR. This policy was, of course, detrimental to production and foreign trade as a whole.

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21. There are still many non-Communists in the State Planning Bureau, but these individuals occupy minor positions in departments not directly concerned with planning in sensitive fields. Otherwise the State Planning Bureau, or at least the majority of its departments, operates under the same strict security rules as the Ministry of National Security and the Ministry of National Defense.

Policy in Pricing Czechoslovak Imports into US.

22. A special policy was applied in pricing Czechoslovak exports to the US. Here, however, it necessary to give a general idea of normal methods used in pricing goods on free markets. The policy generally applied to the free markets could be characterized briefly: to sell and buy within the limits of the foreign trade plan for the best world prices. Under such a policy the profits are not decisive, and sometimes play no role at all. This is true in cases where hard currency is obtained for goods manufactured from domestic raw materials and with domestic manpower. In Czechoslovak exports, for instance, such a place is held by glassware. With these commodities production costs in Czech crowns are given almost no consideration in the Czech foreign trade policy.
23. Until the end of 1949, i.e. at the time when Czechs still believed they would be able to buy some "hard" goods in the US or in other western countries for dollars, the prevailing Czechoslovak policy for the US market was to sell as much as possible. The Foreign Trade Ministry insisted on sales to the US even when better prices could be obtained for the same commodities on some other markets. This was followed by a period of so-called "restricted" exports to the US, i.e. exports limited to the extent necessary to obtain sufficient dollars for comparatively small purchases on US markets and for the fulfillment of various international obligations. This period lasted until spring, 1951, when Prague became convinced that as a result of the cold war and arrest of Mr. Otis, trade relations would reach a standstill. The motto during this period was to sell to the US as much as possible regardless of price. This was a real "export drive" caused by fear that trade would be cut off. Yet, since the time the Czechs experienced difficulties due to the anti-dumping law, with their exports of hats and shoes, they have been more careful.
- the following articles were exported to the US in the period 1948-1950, with a loss in Czech crowns: chocolate and chocolate products exported by Centrokomise Prague (here the calculation even in hard currency brought a loss for Czech trade, since a large part of raw materials was bought for dollar instruments because of the inability of the State planning agencies to get these raw materials elsewhere). The same happened to some woolen and cotton textiles. Some types of glassware and motorcycles have been sold with no profit at all. The dollar instruments obtained in trade with the US were used mainly for payments of purchases on the US markets, at the present time very limited, on eventual "black markets," mostly in Vienna, Austria, for the payments of various international obligations, for diplomatic representations, and for the purchases of British pounds, which is the main hard currency in Czechoslovakia at the present time.

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24. As a rule Foreign Trade Ministry officials do not know production costs of export goods since production is completely separated from the trade. [] many complaints concerning this from people connected with production. Prices paid by foreign trade companies to production enterprises for export goods do not represent actual production costs, but are determined, as are all other transactions between these two types of national corporations, on the basis of some very complicated keys.
25. In view of the imminent withdrawal of "Most Favored Nation" treatment under GATT, the Czechoslovak export policy is to hurry with sales before the termination of GATT. This directive was given in early 1951, when relations with the US became worse. It remains to be seen whether the Czechoslovak export organization will be flexible enough to accomplish anything in the few remaining months. After GATT takes effect, [] the Czechoslovak Government will continue its efforts to trade with the US, and to go on with the exports. Some steps to this effect were already taken before [] August 1951. Future exports would be restricted to very few items (originally there were hundreds of them): glassware (these goods can be sold at lower prices since except for insignificant quantities of Austrian borax, they are manufactured entirely from domestic raw materials), some types of textiles, like linen manufactured from domestic or Polish flax, artificial silk, hops, some chemicals, etc. [] the Ministry of Foreign Trade [] intend to "go slow" in the certifying of consular invoices.
26. It can be expected that in order to evade the US anti-dumping law, the Ministry of Foreign Trade will offer the old goods under new names and under new commercial markings to deceive responsible US authorities and make them believe that these goods, exported under much lower prices to overcome higher tariffs in effect after the GATT's termination, are entirely different from those exported previously. This would apply mainly to the glassware, where even some typical Czech designs will be changed. The Tariff Department of the Foreign Trade Ministry believes, however, that it would be difficult and very complicated for the US authorities to enforce anti-dumping laws and not hurt at the same time exports of some Western European countries. [] in order to obtain dollars, the Czech Government will try to maintain some trade with the US, limiting it to a rather small number of goods. The changes which recently took place in the Communist Party (the removal of Rudolf Slansky, the once all-powerful General Secretary of the Communist Party and the rise to power of Gottwald's group), could be interpreted also as a desire to increase the trade with the US. The Gottwald group, with its Oxford-trained personalities like Dr Goldmann and [] the chief economic adviser of Gottwald, can be considered as economy-minded, whereas Slansky's group, stressing only thought of political aspects of trade, showed complete disregard for economic damages. Even if the Trade Ministry abstained from all purchases on US dollar market, the Government would still need several millions of dollars annually for other purposes. [] the USSR is giving or will give dollars to the Czechoslovak Government. [] US authorities to keep a close eye on Czech exports of glassware and linen after the termination of GATT. The Czechs will probably try to do some more business with other free dollar markets, like Cuba,

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Canada, etc. However, with the poor set-up of the Foreign Trade Ministry and foreign trade companies [] doubt they can achieve much success.

Effect of US Policy of Frozen West Imports into Czechoslovakia and Losses Inflicted upon its Economy. Countermeasures to Combat and Evade Effects of US Export Control.

27. The Czechoslovak economy suffered severe losses when imports for its heavy industries from the US were frozen. Among other consequences this has resulted in the blocked delivery of a complete steel mill ordered in the US in 1946-47, the synthetic rubber plant for enterprise Matador in Bratislava, and some mining equipment. It is extremely difficult to trace the exported product to its ultimate consumer, but [] Czechoslovakia may presently attempt to import from the US small quantities of commodities over which it is difficult to maintain export controls. Such commodities will primarily be: tubes for communication equipment, precision instruments, chemical and pharmaceutical materials, and technical literature.
28. The countermeasures to alleviate the losses caused by US export controls were mostly only considered and very few realized in 1949 and 1950. [] the present organization of the Ministry of Foreign Trade and other foreign trade agencies does not leave any hope that they will find ways to evade the effects of US export control. Of course, they would be happy if they could do so. [] the illegal trade has almost disappeared during the last months. The available illegal channels are restricted today to Vienna, [] sea and inland waterways. [See para 32]. Almost nothing comes via [] or from South America. Anyway, if there is any considerable illegal trade, the territorial departments in the ministry know nothing of it. The ministry is trying very hard to get as much of needed materials as possible in a legal way, by concluding various trade agreements. In this it is rather successful in [] and the [] countries. The Czechoslovak Government still counts on the lack of cooperation among Western countries. [] that various raw materials of [] origin were and still []
- In 1949 and 1950 the "evasion zone" was [] Almost all material brought to Czechoslovakia illegally was offered by some profit-seeking individuals abroad, and the actual deliveries did not originate from and were not prepared by the Ministry of Foreign Trade or other Czechoslovak official agencies.
30. [] in spring, 1951, the Czechoslovak Government concluded new trade agreements with [] [] the representatives of the Ministry of Foreign Trade who had attended negotiations [] stated that negotiations were extremely difficult, but that the favorable results were achieved, mainly because of [] eagerness to obtain some compensation for their investments and property nationalized by the Czech Government. Czechoslovakia has agreed to pay for the rationalized property by allocating about 10% of the imports' value for []

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this purpose. Here the Communists had exploited the situation by informing some third-country materials in their requests. [redacted] had complied with Czechoslovak requests, so that the Communists would not rescind their offer of compensation for the nationalized assets.

Procurement of US Commodities in Violation of US Control Licensing Procedures.

31. Various leading officials in the Ministry of Foreign Trade believed that the Five Year Plan was prepared under the assumption that it would still be possible to import all necessary raw materials from the West. The rapid deterioration of trade relations with the West was apparently not anticipated; if it was expected at all, nobody thought it would happen in such a short time. In 1949, prior to the arrest of Evzen Loebl, extensive preparations were made by the Ministry of Foreign Trade to increase the trade with the West, the US in particular. [redacted] in September 1950, there was still some procurement of US commodities in violation of US export control licensing procedures. [redacted] this was done through the third party, i.e. country, mainly [redacted] and Austria. It was mentioned in Prague that some material after World War II was sold by the US War Assets Administration to various countries. This material [redacted] was offered by profit-seeking individuals or firms from such third countries to Czechoslovakia. [redacted] doubt very much that today among so-called "workers' cadres" in the foreign trade organizations in Czechoslovakia would be any individuals able to handle business transactions of this type.

[redacted] After the establishment of Metrans, an international shipping and forwarding agency in Prague, branch offices of this company were established abroad. These offices were probably used for the illegal shipment of materials from the western countries to Czechoslovakia. Some of Metran's affiliated companies, most of which were liquidated early in 1951, were called Intrasped.

32. [redacted] and Austria are now the most important channels for illegal trade transactions. [redacted] the goods were illegally transported in trucks from Vienna to Czechoslovakia. [redacted] two or three Czechs representing Metrans in attempted to import some strategic items from either using inaccurate or false declarations or shipped items, or by shipping these items via [redacted] or [redacted] or [redacted] Instead of direct shipments across the Czech-German land border, the waterways were often used. [redacted] customs agencies exercised different

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controls at the Czech [] border, on inland waterways, and on sea harbors. There is a strict control at the land border; control is much more liberal however in [] and [] and on the inland waterways. [] instances where shipments, rejected at the Czech [] border, were subsequently cleared without any difficulty when shipped by waterways.

33. [] not believe that the illegal trade channels from Latin America exist any longer, since there are still some legal routes through which this trade may move. It may be, however, that a part of the goods delivered to Czechoslovakia under normal trade agreements with some Latin American or Western European countries is of US origin. [] some [] exports to Czechoslovakia included raw materials of [] origin.
34. [] there is not much chance that these activities have been continued. Illegal trade transactions are always dangerous, and the executives of monopoly companies, afraid usually to assume more responsibility than is absolutely necessary, would not risk their careers engaging in illegal transactions unless directly ordered to do so by their superiors. [] never heard that the Ministry of Foreign Trade has ever planned or carried out any illegal trade transactions. An analysis of the official trade statistics between the [] and other European countries on one side and Czechoslovakia on the other will show a considerable volume of legal trade even in strategic materials blocked by the US many months ago. The most common method used to obtain strategic materials and goods from the West, is by maintaining normal trade relations with Western European countries. Illegal imports of raw materials, machinery and equipment from these countries are not extensive since there are still sufficient legal channels to import these items.

Procurement of Hard Currency

35. Czechoslovakia obtains hard currency mainly by the sale of domestic gold, by favorable balances of trade with the hard currency countries, and finally through various financial transactions. The gold used in the sale is primarily obtained from private domestic reserves through the Darex organization, used as an instrument to induce the population to deliver their rings, earrings, bracelets, etc in exchange for scarce goods on domestic markets. The gold is exchanged for Darex coupons which can be used to purchase these rare articles at a "favorable" price. Another source of gold is rumored to be the USSR. It is possible that some gold was given to Czechoslovakia by the USSR after World War II when the US and other Western European countries began to curtail their exports to the USSR. In this way Czechoslovakia will still be able to purchase essential goods with the Soviet and domestic gold. On the other hand, due to restrictions imposed by the West on exports, the need for hard currency is not as critical as it was before. In recent months there has been a shortage only in British pounds. During the past years considerable amounts of foreign currency were received through export of automobiles to Western European countries. In 1950-51, however, this export has declined sharply since the customers are not confident they will be able in the future to get spare parts for these cars.

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and do not believe the Czechs would go with automobile export to the West for any considerable length of time. Another reason for the decline in this trade is the delay in delivery terms the customers had experienced in the past. Exported are usually passenger cars Skoda-1200, and few Tatraplans. I have no exact information as to number of exported cars, but the figures can be found in official statistics of import countries: Austria,

Imports were legal, considerable profits in hard currency came from various financial transactions and speculations conducted by the Zivnostenska Banka (which, until 1950, had branches in New York, London, and Paris) with the approval of Czechoslovak National Bank Dr Zikmund Konecny, former head and director of the foreign department of the new State Bank, mentioned such transactions during his visit to the Consulate in New York in 1949. The center of these operations was Paris. In the period when Czechoslovakia could still get imports from the US, there were persistent rumors that the USSR was supplying dollars. It is actually possible that in 1948-49 such credits were indeed received. Yet, at the present time, the entire hard currency is obtained solely through exports.

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US statistics concerning US export trade to Czechoslovakia gave slightly higher figures than those given by the Czechoslovak Government. Sometimes the US statistics showed exports to Czechoslovakia which we could not find in Czech statistics. They mentioned, for example, during several months in 1949-50, exports of tobacco and tobacco products to Czechoslovakia, amounting monthly to several hundred thousand dollars. Such exports were never ordered by the Ministry of Foreign Trade and consequently never reached Czechoslovakia. We assume they went and disappeared there on the black market. It is possible that these and similar goods were declared in transit to Czechoslovakia in order to evade custom duties and taxes in West Europe. If some material of US origin came illegally to Czechoslovakia, it is to be assumed that it came via some other countries, in which case it would not be shown in the group of Czechoslovak statistics of trade with the US, but in the group of Czechoslovak statistics of trade with the particular country the material came from.

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38.

The volume of trade with the Soviet Union and its satellites was a carefully guarded secret. However, any published figures regarding this trade would be pure fabrications intended to serve Communist propaganda.

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Blocked US Equipment for Construction of Synthetic Rubber Plant in Bratislava and some Steel-Mills.

39. The equipment for construction of a synthetic rubber plant in Bratislava was ordered in the US several years ago and eventually blocked by US authorities. This has caused a long delay in the expansion of production of the Matador National Corporation in Bratislava for which this equipment was ordered. The problem of this equipment is handled together with some other industrial equipment blocked by the US, namely some steel-mill machinery. The last information about the rubber plant equipment was in May 1951. [redacted] it was sold to some other party in the US. For the liquidation of this and other assets, there were two special advisors sent from Prague in the summer of 1951 to the Czechoslovak Embassy in Washington. The equipment for rubber plant Matador in Bratislava is being now completed by Brnenske Strojirenske Zavody Klementa Gottwalda in Brno. The blocked steel-mill ordered by the Czechoslovak Government in 1946-47 is now being built according to blueprints of the blocked equipment. Back in 1949 [redacted] these blueprints, together with the detailed technical description, were sold to Czechoslovakia for US \$150 thousand.
40. There could be today about US \$12 - 15 million value of ordered and prepaid equipment and machinery for Czechoslovakia, blocked in the US.

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Decentralization of the Czechoslovak Textile Industry and Foreign Trade in Textiles.

41. Czechoslovak textile industries were mostly inherited in 1918 from the Austro-Hungarian Empire. Very few were modernized later and equipped with modern machinery. Except for flax, the textile industry used imported raw materials and the finished products were mostly exported. The largest number of textile plants were located in the Sudetenland. Expulsion of some three million inhabitants after the end of the last war caused a great shortage of manpower in this particular region, affecting especially coal mines and textile plants.
42. When the Two and later the Five Year Plans went into effect, with the emphasis put on the development of heavy industry, and when the Czechoslovak economy received the general directive to "eliminate the dependence of national economy on western markets", it became clear that the textile industry was facing its black period. Smaller textile enterprises taken away and "confiscated" from ethnic Germans were not included in the newly organized national textile corporations, but were simply liquidated. The equipment of such plants was either scrapped or sold abroad. Some of the machinery, however, was overhauled and moved within the "industrialization program" of Slovakia, to the eastern parts of Czechoslovakia. In the first days of Jewish mass emigration to Palestine some permissions were even granted to Jewish owners to take such machinery along, as long as it belonged to them before the war. Before the real rearmament program went into effect and the old equipment was not used as scrap metal, the confiscated textile machinery was exported and sold to Israel, Turkey, India, and even to some South American countries.

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43. In 1949 and 1954, the textile industry underwent another re-organization, and the large national corporations were split into smaller combines consisting of two to three plants.
44. With the restriction of imports from the West, the Czechoslovak textile industry has encountered serious difficulties in production. Raw materials received from the USSR and other satellite countries were not only insufficient, but also inadequate for Czechoslovak machinery. Back in 1949 and 1950, [redacted] many complaints from US importers about delays in delivery of contracted textiles from Czechoslovakia, and ever deteriorating quality of export textiles. This was caused not only by mismanagement and unskilled labor, but mainly by the poor quality of raw materials.
45. [redacted]
[redacted] Czechoslovakia [redacted]
[redacted] could not fulfill [redacted] obligations in deliveries of textiles to US customers due to increased delivery quotas in textiles to USSR, even in the finest qualities, exported previously solely to the US. The same happened with the fine glassware. Originally Czechoslovak export of textiles was maintained practically all over the world, but recently the extent of trade was slashed sharply due to the re-organization of textile production. In the future the textile industry has to satisfy only demands of domestic markets and to make some deliveries to the USSR and satellite countries. This is the governmental policy. [redacted] however, [redacted] at least for a certain time the Czechs will continue to export some textiles to the West, especially the linens made from domestic or Polish flax.
46. All exports of textiles and imports of raw materials for their production is done exclusively by Centrotex Co, Prague. The general manager of this company is Ing Frantisek Adamek, [redacted]

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47. Until recently Centrotex had its own representation in New York for the US and Canada. This was the Alltex Inc, located in William St, NYC. The Alltex did not conduct any business activity on its own account, nor in its own name. It solely supervised activities of representatives, assisted in selection of new representatives, in settlement of claims, and kept the Centrotex informed about prevailing conditions on the markets, designs, fashions etc. President of this corporation was a certain Mr [redacted], who at the same time was general representative for cotton goods [redacted]

[redacted] whose contract with Centrotex was later discontinued in compliance with the governmental regulation that no Czechoslovak emigrant should have, in the future, any part in Czechoslovak foreign trade. [redacted]

48. The main Centrotex exports to the US were or still are as follows: cotton goods, linen, hats and berets, woollens, jute products (coffee bags), artificial flowers. The most detailed information about customers, prices, etc would be given by Mr [redacted], who knew everything about the Centrotex operations in the US and Canada. The entire Centrotex organization which employed normally about 3000 people in Czechoslovakia, was recently slashed to less than a half.

Czechoslovak Trade with the USSR.

51. [redacted]

[redacted] Czechoslovak trade with the USSR in 1948 was represented by 6.25% of the Czechoslovak exports, grain deliveries excluded. [redacted] at the CP meetings, Minister Dr Gregor mentioned several times, that the trade relations are on a "brotherly", but also on a strict business basis. It was told that generally export and import prices in this trade are the same as on the world markets, but actually slightly lower, for they are understood FOB border station Cop. [redacted]

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52. [] no information on the effect of the revaluation of the ruble in 1950 on Czechoslovak-Soviet Trade, nor any concrete and detailed information about the level of this trade. [] Czechoslovak deliveries to the USSR had considerably increased during the past years. Today Czechoslovakia is delivering to the USSR even goods for which there was no interest in the USSR ever before. This applies particularly to the famous Czech glassware and costume jewelry stones. In spring, 1951, the Soviet requested delivery of imitation stones per weight, instead of per dozen, as is customary all over the world. They asked for [] types and sizes which up to that time had been the specialty for US markets. But the deliveries to the USSR have first priority and the Czechoslovak economy had suffered great losses on this deal. The people from Jablonec, which is the center of this famous costume jewelry industry, came to Prague to the Ministry for help, to save their traditional market. There was nobody of course in the Ministry to dare to criticize the government export policy to the USSR. The same is happening at present to Centrotex which has to export to the USSR some of its finest textiles, sent originally solely to US markets. There is sufficient reason to believe that even deliveries of consumer good to the USSR had recently considerably increased. It could be said in general, that the Czechoslovak deliveries to USSR are fulfilled mainly on account of exports going originally to the West, and on account of Czechoslovak domestic consumption.

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53. It is believed that among all satellites the Soviets are interested mostly, from the economic point, in Czechoslovakia, and, in political respects, in Poland. The reason for it is the industrial potential of Czechoslovakia, and the ample existing possibilities for "milking" it. The general opinion among employees of the Ministry of Foreign Trade was that the Soviets were trying to level the standard of living in all satellite countries and to adjust it to that of the USSR. The only country where they are not able to do so is East Germany, where the people still have some opportunity to compare the Western and Eastern standards of living, especially in Berlin.

54.

[] no direct controls are in effect. With respect to industrial production and planning, the USSR and CEMA give to the Czechoslovak Government only general directives. More strict and detailed control is exercised by the local Communist Party, carrying out instructions from Moscow.

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55.

[] There is a Soviet trade representative in Prague, but it seems to be similar to commercial attaches in some western countries. The Soviet Trade Office in Prague is not comparable to Amtorg in the United States; it is actually a commercial department of the USSR Embassy. The only Soviet organizations transacting business in Czechoslovakia are Aeroflot, Sovetskaya Kniga (Soviet Bookshop), and the Sovexportkino. Almost all the personnel in these organizations are Czechs.

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